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14. ABSTRACT One of the key tasks from U.S. Secretary of Defense Donald H. Rumsfeld to his Service Chiefs is to reduce DOD's overall logistic cost and footprint while transforming the warfighter-to-logistics (tooth-to-tail) force structure. As business strategies emerge to support the ever-changing military environment, planners and strategists must reapportion savings from support and infrastructure budgets to warfighting and modernization. Future Service Chiefs will rely more heavily on military contractors to provide technical specialists and force augmentation throughout the joint theater of operations. Along with a Joint Logistics Commander, war planners must fully incorporate private military support to the JFC's war plan while mitigating risk. These leaders should apply historical examples as well as service core competencies, legal aspects, resource availability, and force protection issues associated with civilian contractors operating in the joint theater of operations. Focused Logistics is the operational concept of <u>Joint Vision 2020</u> designed to provide a clear conceptual framework to access logistics initiatives from America's private industry, specific areas which Service outsource committees should immediately consider as candidates for outsourcing include: sea and air port logistics and force projection operations; intermediate staging base and theater reception					
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OUTSOURCING OPERATIONAL LOGISTICS: BUYER BEWARE

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A paper submitted to the Faculty of the Naval War College in partial satisfaction of the requirements of the Department of Joint Military Operations.

The contents of this paper reflect my own personal views and are not necessarily endorsed by the Naval War College or the Department of the Navy.

Signature\_\_\_\_\_

16 May 2003

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Abstract of

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One of the key tasks from U.S. Secretary of Defense Donald H. Rumsfeld to his Service Chiefs is to reduce DOD's overall logistic cost and footprint while transforming the warfighter-to-logistics (tooth-to-tail) force structure. As business strategies emerge to support the ever-changing military environment, planners and strategists must reapportion savings from support and infrastructure budgets to warfighting and modernization. Future Service Chiefs will rely more heavily on military contractors to provide technical specialists and force augmentation throughout the joint theater of operations. Along with a Joint Logistics Commander, war planners must fully incorporate private military support to the JFC's war plan while mitigating risk. These leaders should apply historical examples as well as service core competencies, legal aspects, resource availability, and force protection issues associated with civilian contractors operating in the joint theater of operations.

Focused Logistics is the operational concept of Joint Vision 2020 designed to provide a clear conceptual framework to access logistics initiatives from America's private industry, specific areas which Service outsource committees should immediately consider as candidates for outsourcing include: sea and air port logistics and force projection operations; intermediate staging base and theater reception operations; strategic sea and air lift; distribution of supply, equipment and personnel as far forward in the lines of communication as feasible; and homebase maintenance. These initiatives would reduce active duty logistics footprint, generate combat power, and maintain warfighter momentum extended in time and depth.



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## Introduction

*Logistic Outsourcing...include: construction and maintenance of facilities; receiving, storing, issuing, and inventory of supplies; food service; maintenance, sewage and waste removal; water production; and shower and laundry. (JP 4-0)*

Civilian presence on the battlefield is growing across the spectrum of conflict. This study explores issues of risk, security, and costs associated with current logistics “outsourcing” initiatives as part of SECDEF’s business strategy for reducing defense expenditures and promoting efficiency. Specifically, it is designed to discover new information using historical examples and analysis resulting in a recommendation to assist Joint Force Commanders (JFC) integrating private military supply, maintenance, and transportation contractors on the battlefield. In operational warfare, changes in environment lead to revised strategies and in turn, modifications in logistics plans. With the increased range of our adversaries’ weapons and the disappearance of the linear battlefield, civilian contractors work operate in theaters of operation more than ever before. Outsourced logistics must be carefully calculated to interpret the overall threat of danger to civilians in a theater; otherwise it would be misleading, potentially confusing to the warfighter and the mission results. This paper examines potential risks that may arise from these changes, and how logisticians and warfighters can assess and mitigate these battlefield perils.

The concept of privatization has become a catchword for modernization and efficiency in the U.S. Department of Defense (DOD). There are often major differences between the needs of military and civilian societies that make sensible policies for the private sector. Outsourcing provides much needed support and augmentation to our soldiers, sailors, marines and airmen. Subsequently, conflicts concerning contractual profit and fear of proximity to combat operations contribute to the argument not to privatize military logistics.

In the current vocabulary of the American military, privatization is an all-inclusive word for moving responsibility for functions and processes from the public sector to the private sector. It encompasses both the restricted form of privatization, outsourcing as well as broader terms such as “competitive sourcing” and “absolute privatization.” With continued White House budgetary defense constraints and anticipated infrastructure cutbacks, it is inevitable that contractor support on the battlefield will significantly increase.

In the industrial age, the military acquisitioned logistics from American factories; as the military enters the information age, logistics will be acquisitioned from data bases of commercial stocks, and then shipped immediately and directly to the theater reception platform. Platform examples include: ground controlled airfield, seadeck, or other base of operation in a military theater of operations. The Joint Vision 2020 operational concept of Focused Logistics provides a clear conceptual framework to access initiatives regarding logistics from America’s private industry.<sup>1</sup> Along with historical examples this research analyzes issues of core competencies, law, resource, and force protection issues associated with civilian contractors operating in the joint theater of operations.

### **Historical Examples of Privatized Military Logistics**

Contractors have been used in support of the defense of countries throughout history. Although American battlefield outsourcing began with the War of Independence, this tradition accelerated over the next two centuries. Since the birth of the United States, American leadership has met shortfalls in its military logistical system through a reliance on contractors supporting throughout the battlefield. The traditional role of contractors included simple logistics support, such as transportation, medical services, and provisioning. Martin van Creveld notes in his book, Supplying War, early American Revolutionary War



commanders realized the need to furnish their armies with supplies beyond what they could ransack from the enemy and from the countryside. They did this through the employment of settlers, paid to bring various supplies to the Army.<sup>2</sup> As America expanded to the west, its Army relied on railroads, commercial wagon trains and its own wagons driven by civilian workers to supply Western installations. In 1912, the Quartermaster, Commissary and Pay Departments were consolidated, and the Quartermaster Corps created an organization of enlisted and civilian personnel detailed to work at logistics tasks.<sup>3</sup>

During World War I and World War II, civilian contractors in support of the warfighter increased due to the emerging technology of weapons and equipment. Manufacturers' technical representatives became a welcomed addition to military logistics and maintenance units. Additionally, civilian contractors were instrumental in the establishment of logistics supply and repair facilities in Germany, England, and Japan.

Japanese civilians, in particular, administered sustainment operations in Japan to support U.S. military forces fighting in Korea. The Japanese automobile manufacturers, along with a number of other Japanese industrial sectors, received many U.S. military contracts resulting from the Korean conflict.<sup>4</sup> In comparison with Korea, the Vietnam War sustained higher levels of manpower and industrial mobilization, thereby boosting reliance on contractors throughout the theater of war.

As the Vietnam conflict unfolded, the role of contractor support to the warfighter evolved. Civilian contractors and their employees were deployed to the theater of operations and contributed in major logistics roles, such as the construction of the Cam Ranh Bay supply and distribution facilities. Recognizing low mobilization levels of logistics units during the Vietnam War, military contractors again became necessary. Military contracting

organizations often employed third-country nationals and U.S. citizens since Vietnamese skilled labor was in short supply. The U.S. military in Vietnam had hired approximately 52,000 non-Vietnamese contract personnel by 1969.<sup>5</sup> Private contractors provided the military construction, base maintenance, fuel supply, water, and ground transport services, as well as support for high-technology systems in various areas of operations. The largest contract was for operating and maintaining major installations, and the leading construction contractor was Richardson-Morrison-Knudsen-Brown-Root-Jacobsen (RMK-BRJ). This firm was the predecessor of Kellogg Brown and Root Services (KBR), one of the 21<sup>st</sup> century's principal U.S. Army battlefield contractors.<sup>6</sup>

The 1990-1991 Gulf War provides additional examples of civilian contractors working extensively on the battlefield. Approximately 2,500 civilian contractors provided support to the military by building logistics bases or providing supply and maintenance support.<sup>7</sup> Most contractors were employed directly by the Army or through Saudi Arabian host nation support.

Private contractors participating in Operation Desert Shield/Desert Storm focused on a wide range of support from high-technology equipment and munitions, to water purification, transportation and maintenance. Contract employees accompanied the very first units to arrive into the theater, supporting the 1<sup>st</sup> Tactical Fighter Wing and the 82d Airborne Division in early August 1990.<sup>8</sup> Over many years of operations in the field, technology was introduced on the battlefield. The military placed heavy emphasis on civilian support of communications and maintenance, from Civil War telegraphs to modern satellite communications used in network centric warfare. Civilian support to the military intensified as contractors supported Predator operations during Operation Iraqi Freedom in 2003.

## **Analysis: Problems of Outsourcing Military Logistics**

*Major efforts must be undertaken to advance outsourcing and privatization, incorporating the best business practices, redefine civil engineering support, and improve facilities management. (JP 4-0)*

As mentioned earlier, the evolution of contracting civilians for military support is as old as the beginning of military history. Contractors on the battlefield have proven to be an integral part of America's warfighting potential. America's military now deploys in greater frequency and length, than at the height of the Cold War. Over the past ten years, American military leadership has had to orchestrate, and then deal with, an almost forty percent reduction in numbers of units and a simultaneous 300% increase in operational tempo. As a direct consequence of vastly diminished resources, our soldiers, sailors, airmen and marines have deployed more frequently and remained away from home station longer periods during "peacetime" than most Americans would ever imagined.

Today's DOD vision of transformation and downsizing policy dictate further use of commercial contracts and outsourcing opportunities. DOD leadership expects its Service Chiefs to make use of commercial technology and reduce the costs of current transportation and logistics systems. These factors have revised the manner in which military planners support American and coalition forces as well as changing the logistical system itself. Reduced military infrastructure became a major contributor to warfighters' ever increasing use of contractors on the battlefield in order to fill the gaps in force structure.

At no other time in history has the push to privatize active military positions without hollowing the warfighting force been so widely pursued. Donald H. Rumsfeld, President George W. Bush's Secretary of Defense, brought modern business practices to the DOD. These practices encompass outsourcing, commercialization, civilianizing, and privatizing military activities, which are among the Secretary's top initiatives with his Service Chiefs.

The Bush Administration maintains a government-wide goal of competing 127,500 jobs with the private sector. The U.S. Army, in turn, plans to compete 213,637 jobs with the private sector, 58,000 being active military noncore skill positions in areas of service, administration, and logistics. Active duty positions designated as noncore competencies would be privatized; the active duty positions thus privatized and transferred to core competency positions in the Army's warfighting ranks.<sup>9</sup>

The authority given by congress to the Secretary of Defense to outsource military support is Title 10, section 129a, of the U.S. Code.<sup>10</sup> This U.S. Code authorizes the Secretary of Defense to use civilian contracting if it is financially beneficial and consistent with military requirements. Guidance published in 1954, DOD Directive 1100.4, entitled Guidance for Manpower Programs, directs that "civilian personnel will be used in positions that do not require military" personnel.<sup>11</sup> Under pressure from Defense Secretary Rumsfeld to shed operations considered secondary to the Department's core mission of fighting wars, all military services are exploring ways to improve efficiency, divest themselves of noncore operations, and outsource many activities<sup>12</sup>

During, recent real world missions the U.S. military relied heavily on civilian military contractors. Over the past decade, these missions tasked contractors to maintain and support an escalating quantity and technical complexity of military hardware. For instance, contractors deployed to contingency missions in Somalia, Rwanda, Haiti, East Timor, and Bosnia to provide a broad range of combat support and combat service support to U.S. and allied forces. Contractors worked side-by-side with deployed military personnel to accomplish the JFC's mission. This expanded role for contractors continues to be driven by the following pressures:

- Downsizing of the military following the end of the 1991 Gulf War;
- With lifetime support commonly required in new contracts, a growing reliance on contractor support for sophisticated weapons and information systems;
- DOD directive to outsource or privatize military functions in order to reduce costs and shift additional funds to sustainment and modernization programs;
- Increased operating tempos and shorter required arrival time to the theater of operations provide opportunities for contractors to support the warfighter.<sup>13</sup>

At the current pace of change, the Bush Administration's race to outsource active duty logistic requirements may continue to grow too fast without giving adequate consideration to the associated risks. Tension is emerging between combat risk avoidance and best business practices. At issue is the degree to which regional JFCs are able to manage the combat risks introduced by Service unique outsourcing decisions. Fueled by the desire to generate modernization funding under tight budget constraints, there is a strong movement in the DOD to further outsource logistic functions traditionally performed by uniformed service members.<sup>14</sup>

Within this growing outsourcing trend, defense acquisition policy has potential for inducing significant combat risk to the theater of operations. With the introduction of advanced weapon, intelligence, and command and control systems, each new system will be substantially dependent on embedded contractor maintenance. These systems are being fielded without an associated generation of trained military maintenance technicians. The higher level skills required for maintaining these new technologies preclude a fall back military maintenance capability if needed on the battlefield.

Significantly, these outsourcing initiatives are being conceived and implemented under the conditions of peacetime engagement or military operations other than war. Recent experience in contingency operations has demonstrated that civilian contractor personnel are willing to confront austere and hostile conditions; however, these cases have not embodied exposure to hazard levels expected under high-intensity conflict. Under such hostile scenarios, there may be serious implications for the execution of outsourced functions. Many proposed outsourcing options directly support critical warfighting tasks. It is unreasonable to assume that a civilian contract employee can or will endure the same scale of peril under which uniformed service members are expected to serve.

The DOD Logistics System must continue to transform in order to support changing environments. This logistics system takes far too many people to conduct support missions and does not provide the desired customer performance in terms of readiness, responsiveness, or sustainment. Over the last few years, world-class American corporations have demonstrated their ability to conduct similar work tasks at significantly lower costs, with fewer people, and dramatically better performance. For instance, KBR's current Balkan contract requires the company to operate dining facilities and laundries, provide refueling operations, while receiving and distributing all inbound supplies and repair parts. The Balkan system appears to be successful for contractors and the military. This project is a model of success for future logistics base outsourcing. Across the services, the military is doing as much as ever with less active duty manpower.

Taxpayers and the military are saving money by utilizing large American corporations for DOD outsourcing projects. DynCorp of Reston, Virginia, raised its DOD contracts by 15 percent in 2002. Military Professional Resources Incorporated, a firm

focused on government outsourcing contracts, has grown from eight to over 900 employees since 1988.<sup>15</sup> In the case of the military support in the Balkans, “the military has been very pleased with the quality of service,” according to Joan Kibler, Transatlantic Programs Center, U.S. Army Europe. She noted that KBR saved the military and the American taxpayers as much as 30 percent of the cost normally expended by the active duty military to provide those services.<sup>16</sup>

### **Resources Required**

Secretary Rumsfeld’s has tasked his Service Chiefs to modernize America’s warfighting core competency. In executing this requirement, Service Chiefs must maintain the best military in the world through reengineering logistics efforts and modernizing the logistics support network. The potential savings from Rumsfeld’s plan will be shifted from support and infrastructure budgets to warfighting and modernization. This goal reduces overall logistic cost and footprint while transforming the warfighter-to-logistics (tooth-to-tail) force structure.

DOD envisions a transformed force that dramatically raises logistics performance and support to the warfighter. The recognized logistics cost must be sufficiently reduced while supporting warfighters faster, in hours rather than weeks. These initiatives incorporate a more effective, integrated, multi-service, flexible and efficient support base. DOD proposes reengineering logistic and transportation processes which may become the network centric logistics platform of the future. The process will capitalize on the use of modern information technology such as a global electronic system of tasking, tasking, and controlling requests.<sup>17</sup>

DOD has analyzed various military support functions suitable for outsourcing -- a move that alters the status quo of providing logistics to the warfighter. About one third

(\$100 billion) of the Defense budget consists of support functions such as maintenance, supply, health care, data processing, administrative services, facilities management, and transportation. Since the end of World War II each Service has declared annually specific activities, such as roles and missions that require funding to be carried out internally. However, congressional resource constraints and the impressive performance of private-sector firms have forced the Pentagon to reevaluate many such judgments. It is an area of potentially great savings since the logistics and administration “tail” currently consumes almost 40% of all defense dollars, which amounts to almost \$160 billion per year.<sup>18</sup>

Large private firms commonly achieve cost savings of 20 to 30 percent when they subcontract with other firms to perform non-core functions. Such savings on as much as half of the services currently performed internally at DOD would reduce costs by more than \$10 billion annually. Economists predict that privatization of these functions and services should also improve the efficiency and responsiveness of the defense infrastructure. With the support of Congress, privatization could be the most important defense management initiative of the post-Cold War period.<sup>19</sup>

### **Core Competency**

*Although contractors are expected to use all means at their disposal to continue providing essential services during periods of crisis, this may not be possible in all contingencies. Core logistic support competencies must be maintained to ensure that support to deployed forces will continue in the event contractor support is not available. (JP 4-0)*

The U.S. military is undergoing one of the most comprehensive transformations in America’s history. The key to this transformation’s success is a comprehensive logistics evolution. Joint Vision 2020 calls for a reduction in logistics mass, with an emphasis on focused logistics.<sup>20</sup> To support focused logistics, each Service must reduce logistic footprints in theater as well as at homeport. Joint Force logistics transformation must incorporate



maximum use of all available means of transportation and information systems. The shift from an industrial economy to an informational economy, dominated by the services industry, provides both opportunities and challenges to the U.S. national security strategy. This process will take a dedicated effort by all logisticians working in harmony with American corporations, Congress, and sister service counterparts, in order to be successful.

In the last several years there has been a “revolution” in business largely due to the increased impact of information and technology. Areas that did not contribute to the bottom line became ideal candidates for outsourcing. As the military implements business-like initiatives, friction remains among the Armed Forces as to the definition of a core or essential military competency and what competencies are simply nice to have among uniformed personnel. Core competencies include critical logistic support skills, which enable survival on the battlefield. The government in general is trying to “outsource functions that are not ‘government in nature,’” says Skip Richardson, former vice president at KBR, “they are sticking to their core competencies, and letting the experts do the other stuff more cheaply and at least as effectively.”<sup>21</sup>

As the war fighters have reduced inventories of ships, aircraft, infantries, and submarines, much of our shore support installations have remained somewhat constant. Contractor logistics support is routinely imbedded in most major ordnance, maintenance and supply missions. Military operational planners need to incorporate this force support into operational planning. There is room for improvement in core logistic support competencies.

In a memorandum on the Army outsourcing initiative entitled "The Third Wave" outgoing Secretary of the Army Thomas White informed his top commanders, "The Army must focus its energies and talents on our core competencies - functions we perform better

than anyone else - and seek to obtain other needed products or services from the private sector where it makes sense." In this letter, Secretary White directed his commanders to set about identifying which Army jobs - civilian and military - could be outsourced.<sup>22</sup>

"As long as there've been armies," says U.S. Army spokeswoman Nancy Ray, "there've been people providing services for those armies." Ray points out those KP duties, including potato peeling started to be phased out in the 1960s in favor of contractor-operated dining facilities. "Quartermaster laundry" operations stopped using military personnel to clean uniforms and fatigues in the 1970s. Logistic operations like building and maintaining temporary camps overseas are just the latest dominoes to fall.<sup>23</sup>

Similar to U.S. Army initiatives, the U.S. Navy is rapidly expanding logistics outsourcing in areas of spare parts, support activities, repair facilities, and engineering services. Many weapons systems are almost entirely contractor-supported, and total contractor logistics support is being considered for the next class of amphibious support ships. Recent initiatives in Navy logistics ventured into the outsourcing area by hiring cooks aboard the fast combat support ship, USS SUPPLY. The use of contractors aboard operational vessels is an area of concern for many. Hiring contractors to chip and paint ships in port has been well received and is a step in the right direction. Navy planning for the logistics of the USS SAN ANTONIO, LPD 17 Class, includes an initiative that the private sector provides all support functions. This option envisions contractor support for all homeport maintenance, warranty support, configuration control, and equipment modifications and upgrade.

## Legal Issues

*Can adequate protection against hostile actions be provided to the contractor personnel? (JP 4-0)*

International law is evolving slowly in the area of contractor status. International law does not recognize contractors as combatants, thereby affording little protection under the Geneva Accords, the Hague Convention, or other international agreements. During times of war, military employees fall under Common Article 3 of the Geneva Convention. Contractor personnel supporting in a theater of operations are subject to enemy attack and capture. They are restricted in their activities bound by obligations to United Nations human-rights conventions as agents of the government employing them. In today's modern warfare, contractor personnel armed for self-protection and wearing uniforms, could potentially be mistaken for military personnel or regarded as espionage agents or terrorist mercenaries.

While the U.S. military is more reliant than ever on contracted logistics support, a series of legal issues accompany the use of contractors in operational environments. As a result, analyzing the primary legal issues associated with using civilian contractors in contingency or combat operations is warranted. The only time a civilian falls under the Uniform Code of Military Justice (UCMJ) is in the event of a congressionally declared war. Placing a civilian under the UCMJ on any other occasion constitutes a fundamental breach of that person's constitutional rights. The legal issues are:

- U.S. military does not possess the capability or authority to discipline contractors;
- U. S. military cannot command and control contractors in the same way it leads military personnel;
- JFCs must ensure that contractors maintain noncombatant status;

- Combatant Commanders must determine core capabilities versus those functions that can be outsourced, considering the risk of contractor non-performance.

Legal issues associated with the status of contractors in the battlespace are a critical issue that Service doctrine currently fails to address. In practice, many UCMJ and doctrinal issues in question simply go unanswered, adding to a lingering uncertainty, which surrounds civilian contractor status in a war zone. In most cases, contractor personnel deployed with the military are subject to federal and host nation laws, to include laws of warfare and status-of-forces agreements. Congressional legislation, as well as Service and joint doctrine regarding contractor status, must continue to evolve as military operations rise in frequency. Doctrine must incorporate contracting as a component of logistics application and provide impetus for policy development. Growing regularity of contracted logistics support in future military operations makes it impossible to ignore these essential legal and doctrinal issues.

### **Challenges to Outsourcing: Security, Trust, and Cost**

The government's change in military logistic support philosophy upholds a basic guiding principle: better logistics performance at a reduced cost to the government. Differences between legacy and future logistics support methods exist, to include relative levels of cost and risk. If the Armed Forces privatize support functions, such as clerical or administrative services, cost savings can be obtained at very low risk. For example, cost decreases as a contractor provides spare parts at a cheaper price, but risk increases as the military relinquishes inventory control decisions or when a battle group enters a theater of operations. Functions not generally considered core competencies or critical to mission success are prime candidates for privatization at a lower risk to the Services.

In general, risk is higher in areas of logistic support that directly impact the war fighter's ability to perform his mission, and risk is lower for indirect support functions. In a theater of war, contractor default or access denial could result in a partial degradation of logistics support, negatively affecting the warfighter's mission success. Operational risk would be considerably higher than if these functions were performed by the Armed Forces.<sup>24</sup>

Security of non-combatant, civilian contractors potentially dilutes the warfighter's edge of massing forces at the decisive point. Each JFC is required to provide force protection of potentially soft targets occupied by privatized military support contractors. Key friendly locations potentially requiring additional force protection include internal lines of operations and communications, logistics bases, airfields, ports, rear communications nodes, and water purification sites. Significant dependence on private contractors could weaken the warfighter when friendly lines of communications are exposed or logistics efforts are culminating in a theater of war. Risks are higher to the contractor and the warfighter in austere theaters of operations. Logistics readiness and friendly forces surge capability are probable constraints that each JFC must consider and mitigate as the numbers contractors on the battlefield increase. When asked by a Serb early on in the Balkan mission: "What would happen if we shot a contractor?" General Larry R. Ellis, then the 1<sup>st</sup> Armored Division commander, answered the individual by saying "We would consider it as though you had shot a soldier."<sup>25</sup>

It is very important that the contractor feel as though it is a true member of the team. This has tremendous advantages to the Government in terms of costs. For example, most foreign countries add a Value Added Tax (VAT) to goods and commodities imported into the country. If the contractor is considered to be "part of the force" and covered by whatever

Status of Forces Agreement (SOFA) agreements exist, then the Value Added Tax waived. This tax is sometimes as high as 40%. Also, being included in the SOFA, adds a measure of safety to the contractor and precludes civilian employees being thrown in jail for unknowingly violating host country law while performing duty for the Task Force.<sup>26</sup> In late September 1998 the Stabilization Forces (SFOR) Commander in the Balkans, General Shinseki, formalized membership of personnel employed by contractors under the provisions by revising the existing SFOA.<sup>27</sup> This initiative served as a builder of trust between the SFOR military and their civilian contractors. Additionally, it provides the framework to build on in future endeavors where civilian military support is required overseas.

The American taxpayer may gain from today's ever-growing vendor base. The competition for DOD outsourcing contracts will drive down the costs to record levels. Although most companies require an 8-10% profit margin to survive financially, a recent Logistics Civil Augmentation Program III won by KRB guaranteed only a 1% plus up to an additional 2% depending on the manner in which work was performed. This contract is a 10 year Task Order contract requiring the contractor to deploy within 72 hours of notification and to deliver support to 25,000 troops within 15 days.<sup>28</sup>

Challenges to wholesale logistics outsourcing in the military have been debated on both sides of the aisle in Congress. Representative Janice Schakowsky, Democrat-Illinois, points out that American taxpayers already pay over \$300 billion a year for the military. She argues the question of why America would outsource active duty logistic jobs, and then pay a second time to privatize these operations. Bill Johnson, legislative director for Representative James Hansen, Republican-Utah, chairman of the House Armed Services Committee, believes DOD's outsourcing plans had a familiar ring. "It looks like we're going

back to the '90s when the Army cut [hundreds of] thousands of positions,” Johnson said. “During Desert Storm the costs for buying services from contractors went up 300 percent, while the cost of in-house logistics only rose 15 to 20 percent.”<sup>29</sup> A continued cost-benefit analysis of dollars and battlefield risks must be made as decisions on outsourcing military logistics are explored.<sup>30</sup>

### **Recommendation**

Future theaters of operation will require a substantial increase in outsourced logistics support to the warfighter. As DOD explores standardizing logistics systems throughout the services, a single logistics operator in support of JFCs is required. This logistics operator must be responsible for initiating and controlling contractor logistics and the mitigation risks associated with civilian contractors operating in a Joint theater of operations.

Responsibilities would include synchronization of logistics and transportation as well as, oversight of contractor support to key weapons systems from Joint Strike Fighters to M1A2 Tanks. For example, under the direction of the JFC’s Joint Logistics Commander and coordinated through the Joint Task Force J4, these contractual firms would be legally structured much like active duty CSS organizations look in the early 21<sup>st</sup> century.

Regardless of the competency being considered for privatization, careful review is required to determine the second or third order effects. For the purposes of this study, recommended logistics, communications, and administration areas could be contracted to:

- **Maintain the military at the homebase or port;**
- **Deploy the units from homebase and receive follow on forces in theater once secured;**

- **Provide sea/air port administration, maintenance, and material handling equipment;**
- **Throughput distribution of supply, equipment and personnel as far forward in the lines of communication as feasible, using satellite communications networks;**
- **Redeploy units and equipment once hostility ends.**

Specific areas which Service outsource committees should immediately consider as candidates for outsourcing include: homebase maintenance, supply and force projection operations, sea and air port management, intermediate staging base and theater reception operations, and strategic sea and air lift. This initiative would reduce active duty logistics footprint, generate combat power, and maintain momentum extended in time and depth without increased risk to the JFC.

### **Conclusion**

Future Service Chiefs will rely more on military contractors to provide technical specialists and force augmentation. The pressure to avoid committing large numbers of military forces to a theater of operations will continue over the next decade. Recognizing changing environments and responding effectively is a predicament for any organization. Particularly challenging for a complex global system is developing a National Military Strategy, which attempts to predict and plan for the changing environment. As we develop business strategies to support changing military strategies, we must pay close attention to the effects of business decisions. **It is imperative to understand the ever-changing historical experience of the commercial world and best adapt its lessons learned to our future defense environment.** The impact of logistics support decisions on current and future wars must be considered systematically. Although the military has traditionally been reluctant to



change, war planners and strategists must constantly reassess threats and identify appropriate controls to mitigate increased risk to the JFC's mission success.

If business strategies cause increased risk of failure to meet the logistics needs of the warfighter, it follows that more stringent management controls must be levied to reduce the risk of failure. War planners must carefully analyze assumptions made about organic logistics capabilities, and consider business efficiencies' impact on the warfighter's operation.

Historical and current examples reviewed in this study explored core competencies, legal, readiness, resource, and force protection issues associated with civilian contractors operating in the joint theater of operations. **As this analysis has shown, placing civilians on the battlefield is not without inherent risks; however, logistics plans must fully incorporate private military support to the JFC's mission with minimal risk.**

Although the U.S. military's bottom line has never been profit-making, to survive in today's austere fiscal environment on Capitol Hill, it must come to the realization that success includes becoming business smart and developing trust. Most major U.S. DOD contractors have character traits of fidelity, honor, and integrity equal to that of our U.S. military. Successful efforts to work together will allow DOD to build trust while shifting savings from support and infrastructure budgets to warfighting and modernization. Meeting this goal reduces overall logistic cost and footprint while transforming the warfighter-to-logistics (tooth-to-tail) force structure.

## Notes

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- <sup>1</sup> Joint Chiefs of Staff, Joint Vision 2020, (Washington, DC: June 2000), 28.
- <sup>2</sup> Martin van Creveld, Supplying War: Logistics from Wallenstein to Patton (New York: Cambridge University Press 1977), 20-22.
- <sup>3</sup> Stephen P. Ferris and David M. Keithly, "Outsourcing the Sinews of War: Contractor Logistics," Military Review, Command and General Staff College (Autumn 2001), Available [Online]: <<http://www-gsc.army.mil/milrev/english/SepOct01/ferris.asp>> [6 April 2003].
- <sup>4</sup> James E. Althouse, "Contractors on the Battlefield: What Doctrine Says, and Doesn't Say," Army Logistician (November-December 1998): 14.
- <sup>5</sup> Stephen P. Ferris and David M. Keithly, "21st century Logistics: Joint Ties That Bind," Parameters, (Autumn 1997), 47-48.
- <sup>6</sup> Carroll H. Dunn, Vietnam Studies: Base Development in South Vietnam, 1965-1970, 1991, Available [Online]: <<http://www.army.mil/cmh-pg/books/Vietnam/basedev/index.htm#contents>> [4 May 2003].
- <sup>7</sup> Earle Eldridge, "Civilians put expertise on the front line," USA Today, 5 December 2001, Available [Online]: <[www.USATODAY.com/money/general/2001/12/05/civilians.htm](http://www.USATODAY.com/money/general/2001/12/05/civilians.htm)> [6 April 2003].
- <sup>8</sup> Bob Woodward, The Commanders (New York: Simon and Schuster 1991), 273-4.
- <sup>9</sup> Jason Peckenpau, "Hundreds of thousands of Army employees could face outsourcing," Government Executive Magazine, 4 (October 2002): Available [Online]: <<http://207.27.3.29/dailyfed/1002/100402p1.htm>> [10 April 2003].
- <sup>10</sup> General Military Law, U.S. Code, Title 10, section 129a (1992).
- <sup>11</sup> Department of Defense, Directive 1100.4: Guidance for Manpower Programs (Washington, DC: 1954), 1-2.
- <sup>12</sup> Chet Dembeck, "Army Depot Inc.: Army Leaders Look to Private Sector To Revitalize Underused Depots," Federal Times, 21 (October 2002): 1.
- <sup>13</sup> Joshua Kurlantzick, "Outsourcing the Dirty Work: The military and its reliance on hired guns," The American Prospect, 1 (May 2003) Available [Online]: <<http://www.prospect.org/print/V14/5/kurlantzick-j.html>> The Pentagon reduced the armed forces from 2 million in 1991 to 1.4 million today [1 May 2003].

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- <sup>14</sup> Peckenpaugh, 2.
- <sup>15</sup> Kuriantzick, 1.
- <sup>16</sup> Bill Brewster, "The Business of War," ABC News.Com, 6(May 1999): 1. Available [Online]: <<http://abcnews.go.com/sections/business/DailyNews/warbiz990505.html>>[15 April 2003].
- <sup>17</sup> Demeck, page 2.
- <sup>18</sup> Michael E. Porter, "The Competitive Advantage of Nations", The Free Press, (1990): 242-243.
- <sup>19</sup> J. Michael Brower, "Outsourcing and Privatizing IT: Re-examine the Savings," Department of Justice Online, (January 1999): Available [Online]: <<http://www.stsc.hill.af.mil/crosstalk/1999/01/brower.asp>>[4 April 2003].
- <sup>20</sup> Joint Chiefs of Staff, Joint Vision 2020, 20.
- <sup>21</sup> Brewster, 1.
- <sup>22</sup> Dembeck, 2.
- <sup>23</sup> Brewster, 1.
- <sup>24</sup> Bob Bestercy and Karen Collier, Logistics Outsourcing and the Future War Fighting Environment: Risk and Control, Advanced Management Program, (Athens, GA: Tench Francis School of Business 2001), 4.
- <sup>25</sup> Jack Avant, [Jack.Avant@Halliburton.com](mailto:Jack.Avant@Halliburton.com) "Kellogg Brown and Root in the Balkans." [E-mail to Lamont Woody <[Lamont.Woody@nwc.navy.mil](mailto:Lamont.Woody@nwc.navy.mil)>] 19 May 2003.
- <sup>26</sup> *ibid.*
- <sup>27</sup> Eric K. Shinseki, "Interpretation of the Agreement between NATO and Republic of Bosnia and Herzegovina and Croatia Concerning the Status of NATO and its Personnel," Sarajevo: Headquarters Peace Stabilization Force, 24 September 1998.
- <sup>28</sup> Avant.
- <sup>29</sup> Dembeck, 3.
- <sup>30</sup> Jeremy Bigwood, "DynCorp in Colombia: Outsourcing the Drug War," Investigative Report, 23 (May 2001): 5.

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